

Carbon plan will cost the rich, pay the poor, budget officer says; Federal watchdog finds 80% of households will receive more in rebates than they pay

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Body

A new report from Parliament's budget watchdog backs up what the Liberal government keeps claiming about its politically contentious plan to put a price on carbon emissions: most households will get back more than they pay.

In a 30-page report published Thursday, Parliamentary Budget Officer Yves Giroux detailed billions of dollars in expected revenues from the federal carbon-pricing scheme, and how most of this money will be returned through tax rebates that start this year.

The report says lower-income households will benefit the most from these payouts, while wealthier people will bear the brunt of increased costs of energy and consumer goods from the initiative, which includes a new tax on fuel and a separate emissions-pricing system for large industries.

This federal "backstop" was imposed in four provinces that refused to develop their own carbon-pricing plans that met Ottawa's minimum standard of \$20 per tonne of greenhouse gas emissions in 2019. On April 1, residents of Ontario, New Brunswick, Manitoba and Saskatchewan started paying the new fuel charge - which translates to slightly more than 4 cents a litre on gasoline this year - and are eligible for "climate action incentive" rebates on their tax returns.

The budget officer's report concluded 80 per cent of households in these four provinces will get back more than they pay in increased costs due to carbon pricing, while the top 20 per cent of income earners will pay a modest amount above what they get back on their rebates.

In Ontario, the average household of four will get \$307 back through the tax rebate this year. The budget office calculates this will leave the average household in the bottom 20 per cent of income earners with an extra \$89 this year, while the average household in the top 20 per cent will end up paying \$45.

The difference is based on the assumption that larger, richer households generally spend more on energy and consumer products that will be more expensive, the report says.

In an interview, Giroux said the top segment of income earners identified in the report doesn't only represent "filthy rich people," but includes households with total incomes above \$111,000 to \$136,000, depending on which province they're in.

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He added that this doesn't mean everyone earning a lower income will benefit from the carbon-price plan. People with long commutes or poor home insulation may pay more overall because they use more energy, even if they don't earn that much money.

But, on average, the majority of households will come out on top because of the rebate payments. "Most households will be net beneficiaries," Giroux said.

In a statement, federal Environment Minister Catherine McKenna said the report "affirmed" the Liberal government's claim that the carbon-price rebates will leave most families better off. She also criticized federal Conservative Leader Andrew Scheer and Ontario Premier Doug Ford, accusing them of denying "the cost of climate change on peoples' lives." Both leaders have repeatedly attacked the carbon price, which they argue is harmful to the economy and ineffective at reducing emissions that cause climate change.

Alberta's incoming premier, United Conservative Leader Jason Kenney, has vowed to dismantle his province's carbon-price system for similar reasons, raising the prospect that the federal backstop will be imposed in a fifth province.

"A price on pollution works. It protects the environment for our kids and grandkids, and puts money back into the pockets of Canadians," McKenna said. "We will continue working to protect the environment and grow our economy."

The budget office's report also examined expected revenues from the federal carbon price in the four provinces where it was imposed. The price has two components: the tax on fuel, and a separate pricing system for heavy industries. In 2019-20, the budget office expects Ottawa to reap \$2.63 billion from the carbon price, the vast majority - \$2.43 billion - coming from the tax on fuel.

The Conservatives pounced on this aspect of the report, arguing it shows that the heaviest polluters will pay a much smaller share of the carbon price than households paying the fuel charge.

"The report confirms that big polluters will pay only 8 per cent of the total revenue collected by the Liberal Carbon Tax, leaving the remaining 92 per cent for families and small businesses to pay through higher gas, grocery, and home heating costs," Conservative MP Ed Fast said in a statement Thursday.

"Trudeau's Carbon Tax is not an emissions plan or an environmental plan. It is a tax plan, plain and simple."

The revenues are slated to go up each year, as the carbon price increases from \$20 per tonne of emissions to \$50 per tonne in 2022. The budget office expects carbon-price revenue to hit \$6.2 billion in 2022-23, with \$5.7 billion of it coming from the tax on fuel.

The government has said 90 per cent of revenues from the fuel charge will be returned to households through the rebates each year, while the remaining 10 per cent will go to small and medium-sized businesses, Indigenous communities, and institutions like hospitals, universities and non-profit organizations.

Environment and Climate Change Canada expects the federal carbon price plan to reduce emissions by 50 to 60 megatonnes by 2022. As of 2017, Canada needed to cut annual emissions by about 205 megatonnes to hit the national target for 2030 under the Paris Agreement, according to the most recent tally submitted to the United Nations.

McKenna insists Canada will meet the target because of reductions from the nationwide phaseout of coal-fired electricity by 2030, regulations for cleaner fuel, government spending on public transit and other green infrastructure and future technological investments.

Meanwhile, government scientists published a report this month that said Canada is warming at twice the world average because of climate change, and that carbon emissions around the world need to hit net zero - meaning any

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emissions from human activity are swallowed by forests or carbon capture technology - by 2050 to avoid the worst consequences of climate change this century.

These could include sea level rises of up to one metre in places like Halifax, as well as disappearing Arctic sea ice and permafrost, and increased likelihood of extreme weather like floods, droughts and wildfires.

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